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RETAIL

US department store giant Neiman Marcus Group may file for bankruptcy this weekend: reports

April 24, 2020

Neiman Marcus marketing the Louis Vuitton spring-summer 2020 collection. Image credit: Neiman Marcus

By LUXURY DAILY NEWS SERVICE

A virus born 7,600 miles away from Dallas in swashbuckling Texas is about to take down one of the United States' most storied and luxurious department store chains, Neiman Marcus Group.

The 43-store retailer is expected to file for bankruptcy on Sunday, April 26, according to lenders talking anonymously to many media outlets in the U.S.

If that filing were to go forward, it would jeopardize the jobs of 14,000 employees who work at Neiman Marcus, Bergdorf Goodman, Mytheresa, Horchow and Neiman Marcus Last Call all constituents of a 113-year-old group.

Last straw

Neiman Marcus Group's problems pre-date the spread of the COVID-19 coronavirus from Wuhan in China to all corners of the world.

The company is burdened with $4.8 billion in debt taken on when Eres Capital and a Canadian pension fund bought the company.

With the enforced lockdown in the United States and Canada, Neiman Marcus Group bricks-and-mortar stores have temporarily closed doors, relying purely on ecommerce, personal shoppers and call centers to fulfill orders from customers.

That development, however, may be just the straw that broke the camel's back.

A Chapter 11 bankruptcy filing may allow Neiman Marcus Group to shake off its creditors and restructure as a leaner firm with a smaller footprint.

Aside from the job losses and write-offs, another consequence of the retailer's bankruptcy filing is the hit to landlords of malls where it is an anchor tenant. Other tenants may ask for lower rents or even leave if anchor retailer Neiman Marcus walks away from the mall very often a condition of leases when brands sign on.

A second, but equally major blow, will be felt in the wholesale channel for luxury fashion, leather goods, footwear and jewelry. Fewer stores mean reduced geographical access for many luxury brands.

Also, payment terms with vendor luxury brands may have to be renegotiated.

Per some reports, Neiman Marcus Group has already lined up $600 million in emergency funding.

End of an era

Sadly, Neiman Marcus Group may not be the only casualty in the department store space a model already under threat from brands going direct to customer with their own monobrand stores and ecommerce pure-players such as Net-A-Porter, Moda Operandi, Matchesfashion and Farfetch.

JCPenney, another mall-based department store chain that caters to affordable fashion and accessories, is also said to be considering bankruptcy. The Texas-based company has also missed its interest payment on debt for this month, so it is technically in default albeit within a 30-day grace period.

Macy's Inc., a New York-based department store chain that owns Macy's and Bloomingdale's, is also in peril.

Family-controlled, Seattle-based Nordstrom seems to be the only one of the luxury department store chains with enough cash to sit out the lockdown for a few more months.

But all U.S. department store chains have furloughed employees and asked their top management to take pay cuts and forego bonuses, including Neiman Marcus (see story).

DESPITE THE ROUGH going, these retailers have dug deep to repurpose facilities to produce masks and protective gear for healthcare workers.

A direct consequence of the COVID-19 virus is the lasting damage to U.S. retail a sector that employs more than 10 percent of the country's workforce and contributes $3.9 trillion to the GDP.